

# **FY/05 OPERATING BUDGET FINANCIAL PLAN**

## **PREFACE**

Albuquerque's operating budget is prepared annually for the General Fund and several enterprise, special revenue, internal service, debt service and project funds.

The budget cycle begins in October when the Office of Management and Budget (OMB) prepares the annual Five-Year Forecast. National, regional, and local economic trends and pertinent issues are accumulated and considered. A revenue forecast committee of local economic experts identifies relevant factors to employ in the forecast. Expenditure projections are prepared incorporating estimates of inflation and debt costs. An examination is made of capital improvement projects expected to become operational over the forecast period and their likely operational costs. Commitments already made to unions and any known or anticipated changes in operations are factored into the forecast. The forecast is presented to Council for their review and consideration in January. Council reviews and suggests changes. The Five-Year Forecast is the base for budget preparation.

The OMB issues budget instructions in December. A salary forecast is completed for review by departments. Expense data is accumulated at the current level and totals are reviewed to determine if other actions or changes in budget instructions must be made in order to achieve a balanced budget. Budget hearings are held with the Chief Administrative Officer (CAO), Council staff and department staff. During those hearings departments may request program expansions or offer plans for reducing costs. At the same time performance measures are being updated based on the anticipated resource allocation.

City Charter requires an operating budget to be formulated annually by the Mayor in consultation with the City Council. The budget process is divided into two parts. The first part, comprised of eight enterprise operating funds, one special revenue fund, and five debt service funds is sent to Council on March 1. The remaining funds are delivered on April 1. Council holds a minimum of three public hearings and approves the budget as proposed or amends and approves it within 60 days.

Once the Mayor and CAO approve the Mayor's Proposed budget, a document and several pieces of legislation are prepared and sent to Council. Council holds public hearings, for community comment and department presentations. The budget is approved or amended and approved. The legislation is sent to the Mayor for signature or veto. The Mayor has line item veto authority on appropriation legislation. A veto may be overridden by a minimum of six votes from the nine Councilors.

Appropriations are at a program strategy level, the level at which expenditures may not legally exceed appropriations. Budgetary control is maintained by a formal appropriation and encumbrance system. The Mayor has authority to move program strategy appropriations by the lesser of five percent or \$100 thousand, provided the fund appropriation does not change. Appropriations may be made or modified during the year by a legally adopted resolution. With the exception of project funds, appropriations revert to fund balance to the extent they have not been expended or encumbered at fiscal year end.

Budget data is prepared consistent with the City's basis of accounting, except for depreciation and amortization in the enterprise and internal service funds. Transactions are recorded in individual funds and each is treated as a separate entity.

Governmental funds utilize the modified accrual basis of accounting. The modified accrual basis is reported in the following manner: Revenues are recorded when they become measurable and available to pay liabilities of the current period. Revenues received more than 30 days after the fiscal year end are not considered available and are recorded as deferred revenues. Expenditures are recorded when the related fund liability is incurred, except for (a) principal and interest on general long-term debt, which are recorded when amounts have been accumulated in the debt service fund for current debt service payments on July 1 in the following year and (b) the non-current portion of accrued employee benefits, which is recognized when it becomes current.

Enterprise and internal service funds are on an accrual basis in the accounting system. Budgeting for those funds follows the accrual basis of accounting where revenues are recorded in the accounting period in which earned, and expenses are recorded at the time liabilities are incurred. Depreciation and amortization, although expensed in the accounting system, are not a budget item in the City budget.

Albuquerque provides traditional services such as public safety, culture and recreation, public works, streets and refuse collection. In addition, the City operates parking facilities, a transit system, an international airport and a reliever airport, correction and detention facilities, and a housing program. For FY/05 water and sewer services are now administered by the Albuquerque/Bernalillo County Water Utility Authority.

Albuquerque started moving toward performance based budgeting in the FY/01 budget. In FY/04, history of actual and estimated actual expenditures is based on the City's eight goals for comparative purposes. The Budget is now comprised of two parts. The two plans are organized and presented to the governing body to use during budget deliberations. The first is the Financial Plan, which is the traditional financial information. The Financial Plan presents all funding issues by goal, fund, and program strategy at department levels for all operating funds. The second document presented is the Performance Plan. The Performance Plan contains detailed information on the purpose of strategies and key initiatives. Included is detailed information down through individual service activity levels, and the measurements required for a performance based budgeting system. Once final, these plans are Volume 1 and Volume 2 of the City Budget.

The Financial Plan (Volume 1) has ten major sections. The **Executive Summary** is designed as an overview, explaining the policies underlying the budget, revenue projections, and appropriations by goal, funding source and department.

The **Personnel Summary** section contains a City organizational chart; employee counts, and

explains the changes in the employment level.

**Budget Highlights by Fund** contains Fund Balance Tables or Working Capital Fund Tables, where appropriate, by fund group. The funds are presented with estimated ending balances for both the current year and the budget year. This section includes brief highlights and fund financial history, both in table and graph form.

The **Capital Budget** section explains the City's capital process, which is prepared on a biennial cycle. Anticipated capital projects and the expected operating impacts are discussed.

The Economic Outlook and **General Fund Revenue Analysis** section presents an analysis of the projected economic conditions at the national, state and local levels. The analysis addresses anticipated conditions affecting General Fund forecasted revenues and detailed revenue information.

**Department Budget Highlights** follow, containing financial information and other pertinent information on a department basis by goal and at the program strategy level. The structure of this section is first by department. Within the department, the reader will find budget highlights, department revenues and a list of the prior years' accomplishments, priority objectives, City Council directives and historical expenditures and appropriations for FY/04.

**Bonded Indebtedness**, the **Appendix** and **Statistical Information** complete the supporting budget documentation. The **Appendix** contains information that is useful to prepare or understand the budget, including definitions, a schedule of the functional grouping of funds and departments, and a budget calendar. There is also a brief explanation of the methodology used in budget preparation. There is a section that presents a complete consolidation of all operating funds with an elimination of interfund transactions in order to provide an accurate picture of the budget as a whole.

The **Appropriations Legislation** section provides copies of the FY/05 budget legislation approved by the Council.